



## One size doesn't fit all: Using Segmentation to Sell More

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28 March, 2008

*For Marketing Magazine, April 2008 Issue*

**The release of the latest Mosaic study, with its 11 macro consumer segments and 47 consumer 'types', highlights the increasingly fragmented nature of the consumer and shopper base in Australia and reinforces the need for targeted marketing and sales strategies.**

The growing focus on segmentation is driving the shift from mass to targeted media, and is beginning to signal a retail shift away from one-size-fits-all product ranging to 'relevance ranging' – the right products in the right places in front of the right shoppers.

Below is a brief roundup of what types of segmentation are being used in the Australian marketplace, how they are being applied, and how smart marketers can link their segmentation work to the sales and store environment to optimise product sales.

### SEGMENTATION APPLICATIONS

Most segmentations, used properly, will result in improved portfolio management, increased ROI, better customer alignment and identification of appropriate media types. The main types of segmentation include:

Segmentation type	What it is	Applications	Who's Using it
Consumer segmentation	Dicing up of the Australian population into similar people types. Traditionally geographic, demographic, psychographic, behavioural, needstate based, or combination of these. May be used at a brand level and incorporate consumption occasions and patterns.	To date, mostly for direct marketing, new product development. Opportunities to apply it to above the line and instore media, sales team new product sells, and differentiated pricing strategy.	Marketing and brand managers Direct mail houses Increasingly, sales managers
Channel segmentation	Also a fairly recent development. Slicing up of a retail channel's outlet base into store types according to a number of characteristics including store size and footprint, location, reason for visit (type of shop), dominant shopper types, primary product categories.	Differentiating product range, category space and layout, pricing, promotional strategy, instore media, point of purchase/POP messaging by segment.	Trade marketers Category managers Channel managers Increasingly, Sales managers Opportunity for brand and marketing managers to understand different store types and tailor specific products and promotional programs to suit.



Segmentation type	What it is	Applications	Who's Using it
Shopper/retail segmentation	Dividing a retail store base into dominant consumer and shopper types. A very new area, under development. To date, mainly based on household structure makeup, overlaying consumer segmentation (generally geodemographic).	Similar to channel segmentation. Product and pack development, product ranging, category space and layout, pricing strategy.	Retailers Channel managers Shopper insight managers Opportunity for markets to understand what household types they are targeting and adjust products and instore media to suit.
Category segmentation	Dividing a product category into purpose or occasion based types	New product development, space and layout within the category, product placement within category, occasion based instore media.	Category managers Trade marketers Key account managers Opportunity for marketers to develop products for specific category segments.

In addition, there is any number of tailor made segmentations. An example is Woolworths' new 'consumer led ranging' program, a version of consumer segmentation using Woolworths' own sales data per category to determine what should be ranged on a store-by-store basis.

## FROM REACH TO RELEVANCE

From the above it should be evident that there are a number of major opportunities for marketers in understanding the different segmentation types.

1. Media planning – above the line and instore
2. Product and pack development
3. Instore marketing strategy.

**Media:** should be planned both out of home and instore at a store-by-store (geodemographic cluster) level. For example outdoor should extend beyond major arterial roads and CBD areas to focus on certain products in specific geographic locations surrounding specific stores. Media companies need to stop selling one size fits all based on reach, but tailored packages based on specific areas and clusters: better to get 100% awareness by the right consumers who are the most likely to buy the product from that store, than 50% awareness of everybody. If it's good enough for the instore and retail media companies like Torch to do it, it's good enough for above the line media outfits.

**Products and packs:** having the right products in front of the right consumers and shoppers in the right stores. Marketers should set sales and volume targets for a new product based on *exactly* which areas and stores the product should go to, not a percentage of all stores/all consumers/all households. This will involve working closely with Sales to align the distribution plan based on which segments are targeted. This extends down to pack level, ie larger packs in areas with young families, smaller packs in areas with a high number of single person households.

**Instore marketing strategy:** determining which segment and store types to invest in with POP and how the creative needs to change to suit. Different store types require different POP types based on how shoppers shop. Determining which products will be heroes and which will have lesser focus on a store cluster basis.

A word on catalogues and CRM: some retailers deem catalogues a waste of money due to the high bin rate. The reason they're binned is because they are not targeted. Grocery, liquor, and pharmacy catalogues are still one-size-fits all, where Myer has identified around 5 different consumer segments each of which receive a different catalogue. Catalogues can work if they are relevant.



## **LINKING MARKETING AND SALES SEGMENTATIONS**

Retailers and sales teams have started using a combination of consumer and channel segmentations with segments or consumers grouped into clusters, to determine what to sell, and how to execute, where. Marketers can support this and increase sales by reviewing product, pack, above the line media, and instore media opportunities against each of the segmentation types and/or segmentations the company is using.

The days of lazy one-size-fits-all are over. The smart marketers will be the ones who embrace segmentation and work with category, channel and sales teams to apply it in practical, insightful ways.

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